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Message Text

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SUBJECT: DRAFT REPORT ON ALUMINLM INDUSTRY

REF: A) OECD DOCUMENT DIE/IND/AL/74.6
B) STATE 22352

1. SUMMARY: DELEGATES CONCLUDED REVIEW OCTOBER 14 OF DRAFT REPORT ON ALUMINUM INDUSTRY (REF A). WHILE GENERAL CONSENSUS PREVAILED THAT ESTIMATES OR PROJECTIONS OF EXPANDED CAPACITY AND CAPITAL REQUIREMENTS WOULD BE EXCEEDINGLY DIFFICULT GIVEN CURRENT ECONOMIC UNCERTAINTIES, US DEL UNSUCCESSFUL IN EFFORT TO DELETE PARAS 27-31 (CAPITAL REQUIREMENTS) OF REF A. HOWEVER, US DEL SUCCEEDED IN HAVING QUALIFYING LANGUAGE INCORPORATED IN THE REPORT TO REFLECT CURRENT ECONOMIC UNCERTAINTIES AND US DOUBTS RE UTILITY OF SUCH PROJECTIONS. FINAL REPORT EXPECTED FIRST WEEK OF NOVEMBER. END SUMMARY.

2. DELEGATES REVIEWED REPORT PARAGRAPH BY PARAGRAPH. DELEGATES FREQUENTLY REFERRED TO THE RAPIDLY CHANGING SITUATION, I.E. AVAILABILITY AND PRICE OF ENERGY, RAW
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MATERIALS, CREDIT RESTRICTIONS, DECLINING GROWTH RATES,

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ETC. UK AND SWISS DELEGATIONS TOOK LEAD IN ADVISING CAUTION. UK DELEGATE OBSERVED THE BASES FOR PROJECTIONS (PARA 27) WERE SUBJECT TO QUESTION, STATING REPORTS' ASSUMPTION OF 8 PERCENT GROWTH RATE "COULD CREATE IMPRESSION THAT MORE CAPACITY WILL BE REQUIRED THAN IS THE CASE". HE LABELLED THE "TOO OPTIMISTIC" AND CONCLUDED THAT THE RELEVANT PARAS (27-29) "NEED REVISION."

3. SPIRITED DEBATE RESULTED FROM THE REVIEW OF PARAS 27-31 CAPITAL REQUIREMENTS IN THE WESTERN WORLD TO 1980". IN CONTENTION WAS ASSUMPTION OF AN 8 PERCENT GROWTH RATE BASED ON THE YEARS 1971, 1972, 1973. DURING DISCUSSION AS TO WHAT THE FIGURE SHOULD BE (THE RANGE WAS 4-8 PERCENT), US DEL SUGGESTED THAT GIVEN UNCERTAINTIES OF CURRENT AND SHORT TERM ECONOMIC SITUATION, PERHAPS IT WOULD BE FUTILE TO ATTEMPT A MEANINGFUL FORECAST AT THIS TIME. AS AN ALTERNATIVE, US PROPOSED DELETION OF PARAS 27-31, AND AGREEMENT TO UNDERTAKE A SEPARATE STUDY OF FUTURE TRENDS WHEN CURRENT SITUATION BECOMES MORE CLARIFIED. NO DELEGATION SUPPORTED THE US PROPOSAL. HOWEVER, THE MEETING UNANIMOUSLY AGREED TO ALLOW THE SECRETARIAT TO INCORPORATE SUFFICIENTLY QUALIFYING LANGUAGE, THAT THESE PROJECTIONS ARE STATISTICAL EXTRAPOLATIONS BASED ON (A) HISTORICAL TRENDS, I.E. 8 PERCENT, AND (B) AN ASSUMED GROWTH RATE OF 4 PERCENT. THE FIGURES, OF COURSE, WILL BE REVISED TO REFLECT A 4 PERCENT GROWTH RATE.

4. CHAIRMAN SET TONE FOR DEFEAT OF US PROPOSAL BY HIS RHETORICAL QUESTION: "WHY CAN'T WE MAKE FORECASTS ON THE BASIS OF THE PAST?" HILL (SECRETARIAT STAFF) UNDERLINED IMPORTANCE TO "SUGGEST THE SCALE OF INVESTMENTS AND DEMAND; TO PRESENT STATISTICAL ARGUMENT TO ILLUSTRATE ORDERS OF MAGNITUDE".

5. US DEL SUCCEEDED IN HAVING PARA 15 INCORPORATED INTO PARA 23 UNDER "RAW MATERIALS" RATHER THAN SECTION DEALING WITH "ENERGY".

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6. PARA 19: LAST SENTENCE, WORD "CONTROLLED" CHANGED TO "SHAREHOLDINGS".

7. PARA 33: SECOND SENTENCE NOT DELETED BUT WILL BE REDRAFTED TO THIS EFFECT: "THE REPORT GIVES AN OVERALL ESTIMATE, ADMITTEDLY SPECULATIVE, FOR THE CAPACITIES NEEDED ETC.".
TURNER

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